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CAPITAL BUDGET

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A review and analysis of municipal budgets and audit reports for the Town of Granite Quarry to determine local revenues and expenditures, particularly expenditures for capital improvements, over the past few fiscal years, and thereby make projections for future revenues and expenditures, particularly expenditures for capital improvements and limitations for debt service, over the next six fiscal years; and to project public improvement needs over the fifteen year period following the capital budgeting study period.

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CAPITAL IMPROVEMENTS BUDGET/PUBLIC IMPROVEMENTS PROGRAM

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TABLE OF CONTENTS

	Page
INTRODUCTION AND PURPOSE.	1
BACKGROUND INFORMATION.	4
FINANCING THE CAPITAL IMPROVEMENTS BUDGET	7
GRANITE QUARRY CAPITAL IMPROVEMENTS BUDGET.	28
GRANITE QUARRY PUBLIC IMPROVEMENTS PROGRAM.	30

TABLES

Number		Page
1	Revenue Trends	7
2	Total Revenues by Budget Funds	10
3	Selected Revenue Sources and Trends	11
4	Annual Expenditures for Capital Improvements and Debt Service	13
5	Annual Expenditures as Percent of Revenues Received	14
6	Capital Improvements and Debt Service as a Percent of Total Expenditures	14
7	Expenditures for Capital Improvements	16
8	Appropriations for Capital Improvements, FY 1973-74	17
9	Projected Town Revenues and Expenditures for Capital Improvements and Debt Service, FY 1974-75 - FY 1979-80	19
10	Existing Debt Service	25
11	Property Valuation Changes	27
12	Granite Quarry Capital Improvements Budget	29

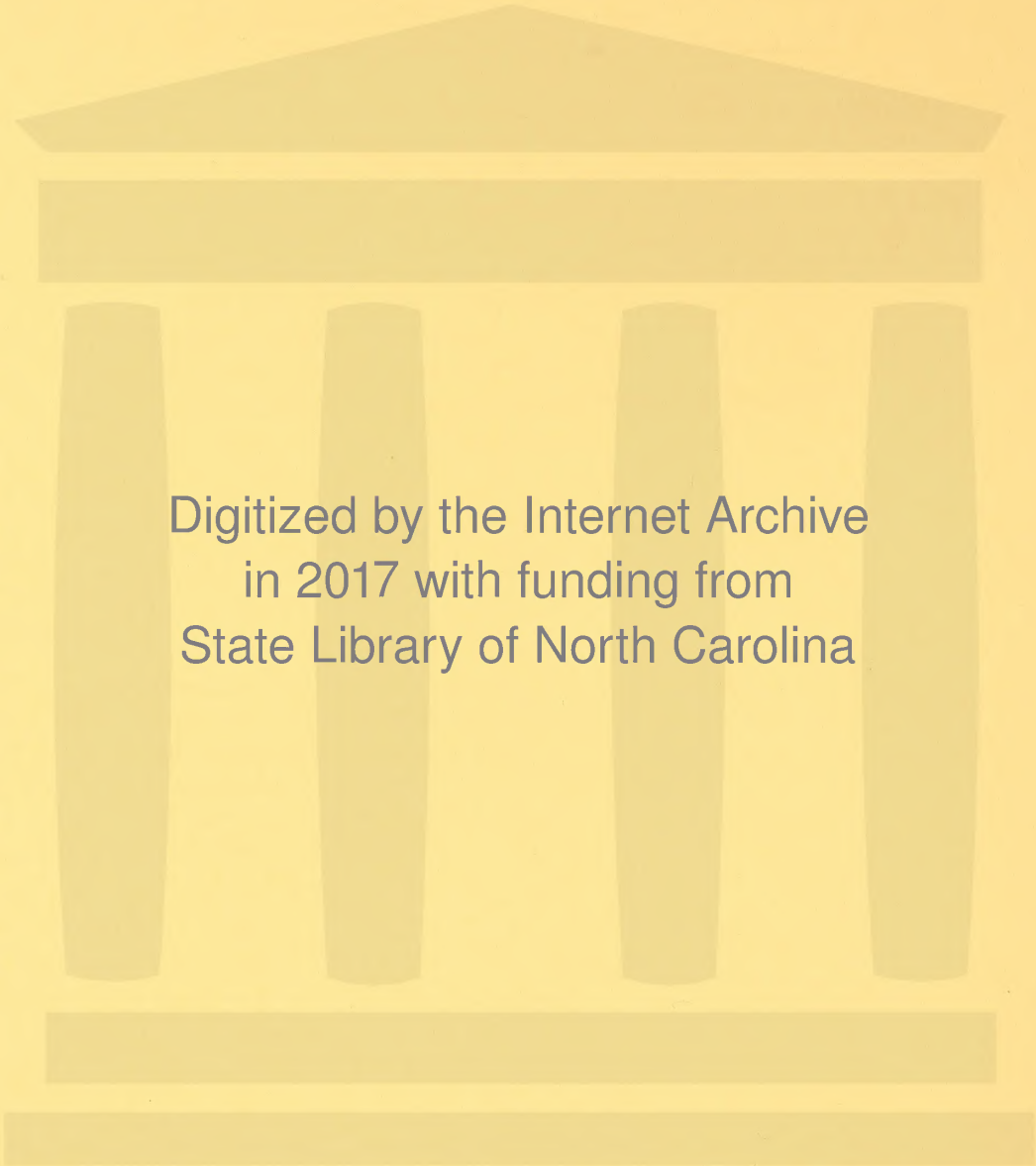
MAPS

Number		
1	Community Facilities Map	Follows Page 6
2	Existing Water System	Follows Page 19
3	Existing Sewerage System	Follows Map 2
4	Unpaved Streets	Follows Map 3
5	Property Owned by the Town of Granite Quarry	Follows Page 27

GRAPH

Number		
1	Granite Quarry Bonded Indebtedness (Principal and Interest)	Follows Page 25

INTRODUCTION AND PURPOSE



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INTRODUCTION AND PURPOSE

A "capital improvements budget" is basically a listing of projects (capital improvements) with amounts and sources of funds necessary to complete the work. A "public improvements program" is basically a planned program for providing relatively long-range public capital improvements. These should both be considered as major tools of planning for guiding capital expenditures on public improvements for the community along desirable courses and for insuring that they proceed in an orderly manner.

There are two fundamental differences between a "public improvements program" and a "capital improvements budget." First, whereas a public improvements program is relatively long-range (15 to 20 years) in planning, a capital improvements budget is relatively short-range (5 to 6 years). And second, whereas a public improvements program merely schedules major projects in designated fiscal years, a capital improvements budget schedules both major and minor projects in designated fiscal years with an attached cost estimate by each itemized project.

How should public improvements be selected for programming? First, they should be considered in the context of total community needs. Second, they must be developed within the individual community's financial resources and be supported by a sound financial plan. And third, the program must be kept flexible through periodic review and subsequent revision. Individual improvement projects, even long-range projects, should be evaluated annually, or at least biennially, to confirm their continued need and time scheduling.

It is important that public improvement projects not be undermined by special interest groups which cannot or will not look at total community

needs, facilities, and services. The formulation of a capital improvements budget and public improvements program for a community should be based on an impartial evaluation of needs and those needs converted into projects which will improve the situation. A timetable, based on total community priorities, should then be established for the development of those important projects.

What is needed in the preparation of a capital improvements budget and public improvements program? Most basic is the need for relevant information which can be gathered and subsequently analyzed. Fundamental data concerning a municipality's own unique characteristics must include population trends with potential growth factors, economic base and relative stability, industrial development, and local policies, practices, and attitudes which can have a great effect on current and future public improvements.

The local planning agency should be given a major role in the preparation, development, review, and modification of an effective long-range public improvements program. Their responsibility should include an analysis of all project proposals to determine if these proposals conform to the town's comprehensive plan for development. This responsibility should also include the ability to make recommendations with respect to priorities, special projects, and methods of financing, as well as suggesting alternative courses of action.

This capital improvements budget/public improvements program will consider the financial capabilities of the Town of Granite Quarry to implement the specific proposals. It will also list the needed capital items over the next six fiscal years and the needed public improvements over the following fifteen years, and evaluate each one of these items to

determine priorities. More specifically, this determination of project needs and priorities will be based upon first, an estimate of the present financial resources and probable future trends in revenues and expenditures; second, an appraisal of the many factors influencing the operation and success of the program; and third, an understanding of the legal requirements and prior commitments which permit or restrict a municipality from following a desired course of action.

BACKGROUND INFORMATION

BACKGROUND INFORMATION

Granite Quarry is primarily a residential town, though it does have a small downtown business area and some light industrial plants. As the town and surrounding environs continue to increase in population, a corresponding increase is likely in the commercial potential and subsequent development of downtown Granite Quarry. A small industrial park area has recently been created in the sparsely populated southwest portion of Granite Quarry.

According to the 1970 census, the Town of Granite Quarry has a population of 1,344, an increase of 285 (27 percent) people over the 1960 population figure of 1,059. Most of this population growth may be thought of as "natural" or internal rather than peripheral growth. Annexations during the decade of the 1960s accounted for an increase of only 58 people.

In regard to the composition of the population by race, there are 1,026 whites (76 percent) and 318 blacks (24 percent) in Granite Quarry. The median age in Granite Quarry is 29.5. This is below the City of Salisbury's 33.8 and Rowan County's 31.1, but above the state's 28.1 median age figure. 34.6 percent of Granite Quarry's people are under 18 years of age while 10.3 percent are 65 years and over.

Granite Quarry has 426 households in 1970 as compared to only 312 in 1960, or an increase of 36.5 percent. There are 3.18 people per household in Granite Quarry as compared with 2.80 in Salisbury and 3.03 in Rowan County. The vacancy rate in Granite Quarry is only one percent--lowest of any Rowan County municipality. Approximately 90 percent of the housing units in Granite Quarry are single-family units. 73 percent of the units in Granite Quarry are owner-occupied. The 1970 census listed only 7 percent

of the housing units as not having complete plumbing facilities and only 6 percent as overcrowded. In regard to value of the units, 40 percent of the owner-occupied units have an estimated value of below $10,000 and 9 percent are valued at over $25,000. Of the rental units, 60 percent rent for below $60 per month and 6 percent for over $100 per month.

Urban growth and expansion is being experienced in Granite Quarry and is expected to continue at an accelerated pace. Suburban residential areas are sprouting to the north and south of town along and near U. S. 52; similar suburban-type developments may be expected within the next decade to the east and west of town. The downtown district will emerge as a bonafide commercial area if residential zoning is maintained in existing residential districts and patterns of development are encouraged to continue in a logical, planned manner. Industrial prospects are now casting a favorable eye on Granite Quarry as a prime, growing, expanding area.

Granite Quarry began its planning operation in May 1966 with the formulation of a 5-man planning board, and expanded that board to 7 members in April 1969. In October 1972 an Advisory Board was appointed. This 7-member Board is composed of persons residing in the extraterritorial jurisdictional area who meet with the Granite Quarry Planning Board (and with the Granite Quarry Zoning Board of Adjustment) to formulate plans, policies, and ordinances to insure the orderly growth and development of the area.

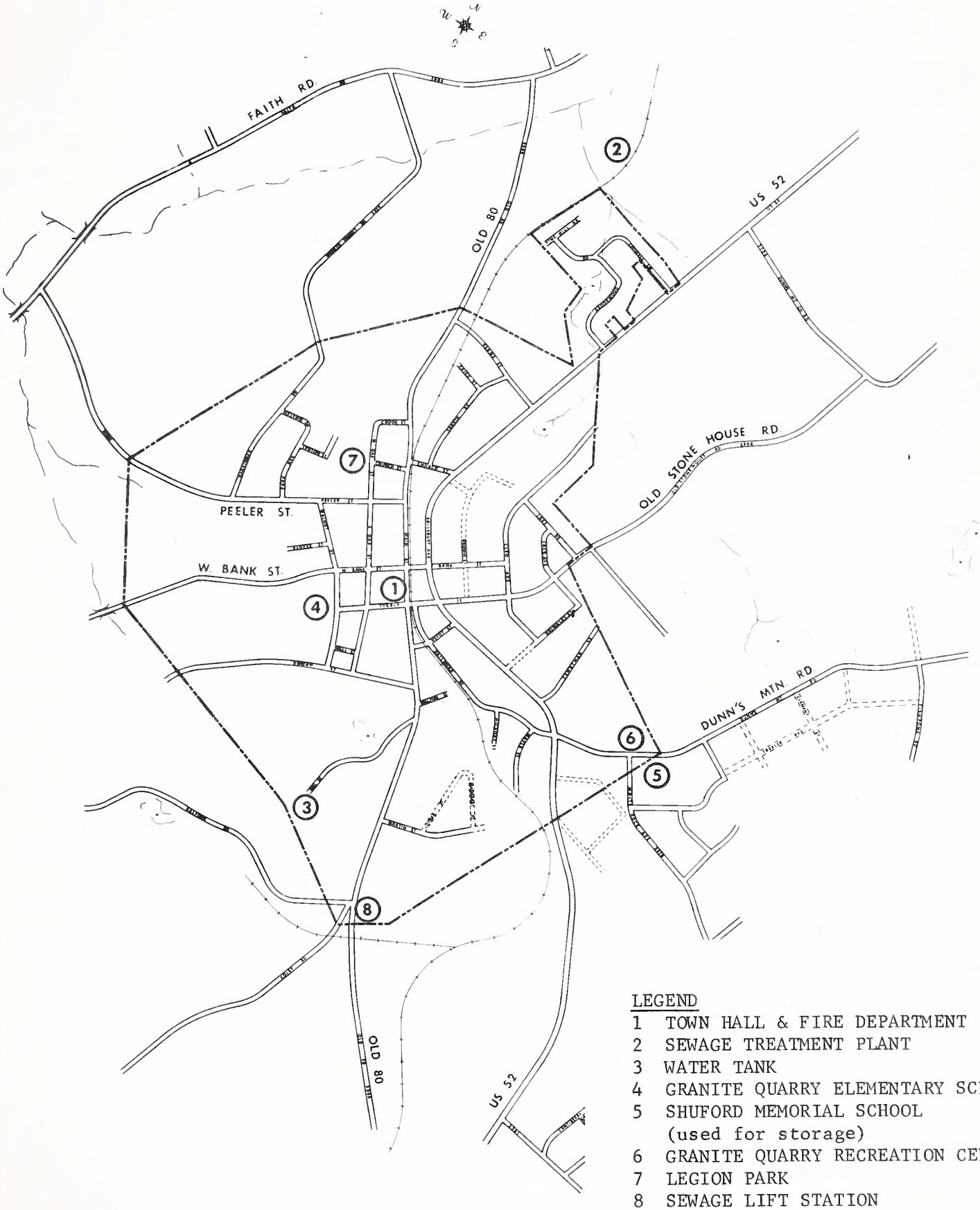
The first study undertaken by the Granite Quarry Planning Board was a Comprehensive Plan showing existing development and planned future development. This study was published March 1970. A second report, entitled Community Facilities Study, was published March 1971. The

contents of these reports have been instrumental in the formulation of this Capital Improvements Budget/Public Improvements Program.

Granite Quarry adopted its first zoning ordinance February 1971, and readopted that ordinance, with amendments, June 1972. A major revision of the zoning ordinance, completed April 1973, shows zoning in major growth areas outside the town limits. Zoning throughout the remainder of the Granite Quarry jurisdictional area is anticipated during the 1974-75 fiscal year.

COMMUNITY FACILITIES

GRANITE QUARRY, N. C.



LEGEND

1 TOWN HALL & FIRE DEPARTMENT
2 SEWAGE TREATMENT PLANT
3 WATER TANK
4 GRANITE QUARRY ELEMENTARY SCHOOL
5 SHUFORD MEMORIAL SCHOOL (used for storage)
6 GRANITE QUARRY RECREATION CENTER
7 LEGION PARK
8 SEWAGE LIFT STATION

MAP-1

FINANCING THE CAPITAL IMPROVEMENTS BUDGET

FINANCING THE CAPITAL IMPROVEMENTS BUDGET

Revenues and Expenditures

An analysis has been made of past revenues and expenditures for the Town of Granite Quarry. Information used in this analysis has been obtained through a study of municipal audit reports for the fiscal years 1967-68 through 1972-73. Data gained from the study provides a clearer understanding of the probable growth in revenues, as well as how much of the revenues need to be expended for capital improvements. It is thereby possible, from this data, to make more intelligent assumptions about the town's abilities to pay for future capital improvements.

A summary of actual town revenues is shown in Table 1. It should be noted that, for the purposes of this particular report, it was necessary to depart from the standard auditing procedures which are required for the auditing report, to be assured that revenues were not counted more than once. This situation applies in an audit report when money is counted as a revenue for one fund, but then transferred to another fund where the money is counted as a revenue for a second time. In instances such as these, caution was used in counting revenues only once. The same procedure was used, of course, in counting expenditures.

TABLE 1 REVENUES* TRENDS

Fiscal Year	Revenues	Numerical Differences	Percentage Differences
FY 1967-68	$158,599		
FY 1968-69	$185,433	+$26,834	+16.9
FY 1969-70	$213,207	+$27,774	+15.0
FY 1970-71	$246,505**	+$33,298	+15.6
FY 1971-72	$285,236***	+$38,731	+15.7
FY 1972-73	$340,462	+$55,226	+19.4

*Includes budgeted surpluses from previous years
**An additional amount of $150,520 was also available in the form of a Federal grant for water/sewer construction
***An additional amount of $48,073 was also available in the form of a Federal grant for water/sewer construction

SOURCE: Granite Quarry Audit Reports

The trend shows a fairly steady, growing revenue base, with an average rate of increase of about 16.5 percent per year. Additional revenues from federal grants were received as indicated in Table 1 footnotes. These "revenues" have not been included in the original calculations to prevent showing a misrepresentation of the town's revenues and revenue trends. Nevertheless, federal funds must be acknowledged as a source of revenues during fiscal years 1970-71 and 1971-72. Some actual distortion of the town's revenue trends may also arise from the town's receiving general revenue sharing money beginning in fiscal year 1971-72. As is shown on page 22, the town received about $7,300 in fiscal year 1971-72, over $15,000 in fiscal year 1972-73, and almost $12,000 over the first three quarters of the 1973-74 fiscal year. This money may tend to show the town's revenues accelerating at a higher rate than is actually the case.

Total revenues, including budgeted surpluses from previous years, are broken down by various funds within the municipal budgets for fiscal years 1967-68 - 1972-73 in Table 2. The General Revenue Sharing Trust Fund was established for fiscal year 1972-73 with the arrival of general revenue sharing funds. Fairly steady increases can be noted in the General Fund and Sewer Fund (since its creation in fiscal year 1970-71). Slight fluctuations should be noted in the Water Fund and great fluctuations can be seen in the Powell Bill Fund--attributable mainly to the carryover of funds from one fiscal year to another and a change in state allocations (see next paragraph). Unlike the other funds, the Debt Service Fund is not subject to appreciable change and is established through fiscal year 2005-06 (to be discussed later in report).

Some of the more major sources of revenues, particularly under the General Fund, are shown according to type and fiscal year in Table 3. No

carryover of funds from one fiscal year to another is shown here. The most significant increase in revenues has come from local taxes which, according to audit reports, increased by nearly 100 percent between FY 1967-68 and FY 1972-73. A decrease of 46 percent over that time period can be noted in ABC revenues, but a 67 percent increase can be shown in revenues from beer and wine tax. Revenues from water and sewer sales are continuing to increase at a rapid pace (an 87 percent increase for water) while Powell Bill funds increased at about 75 percent between FY 1971-72 and FY 1972-73. This substantial increase in Powell Bill funds was due to an increase in the state allotment to all North Carolina municipalities, that allotment being based on a formula. Powell Bill funds, unlike other state-received funds, are limited by statute (North Carolina General Statute 136-41.3) to be expended only for the purpose of the maintenance, construction, or improvement of streets within the town limits.

TABLE 2 TOTAL REVENUES* BY BUDGET FUNDS

Fiscal Year	General Fund	General Revenue Sharing Trust Fund	Water Fund	Sewer Fund	Debt Service Fund	Powell Bill Fund	Total
FY 1967-68	$117,470	N.A.	$27,570	N.A.	N.A.	$13,559	$158,599
FY 1968-69	$127,233	N.A.	$37,971	N.A.	N.A.	$20,229	$185,433
FY 1969-70	$121,629	N.A.	$37,190	N.A.	$28,680	$25,708	$213,207
FY 1970-71	$147,542	N.A.	$35,613	$ 5,182	$47,575	$10,593	$246,505
FY 1971-72	$179,908	N.A.	$32,245	$15,385	$48,949	$ 8,749	$285,236
FY 1972-73	$195,276	$18,903	$39,892	$20,590	$47,191	$18,610	$340,462

* Including budgeted surpluses
N.A. means not applicable

SOURCE: Granite Quarry Audit Reports

TABLE 3 SELECTED REVENUE SOURCES AND TRENDS

	FY 1967-68	FY 1968-69	FY 1969-70	FY 1970-71	FY 1971-72	FY 1972-73	FY 1973-74[e]
Taxes from current year[a]	$23,914	$24,302	$25,895	$40,504	$44,356	$45,778	$45,600
Taxes from previous years[a]	$ 1,688	$ 1,047	$ 1,396	$ 1,407	$ 2,694	$ 1,386	$ 1,400
Local government sales tax[a]	--	--	--	--	--	--	$12,675
ABC revenues[a]	$11,700	$13,964	$ 9,674	$ 9,225	$ 9,653	$ 6,288	$ 6,000
Beer & Wine tax[a]	$ 1,931	$ 1,431	$ 2,252	$ 2,340	$ 3,013	$ 3,222	$ 3,400
Water sales[b]	$17,850	$19,857	$23,478	$25,785	$27,024	$33,329	$33,324
Sewer charges[c]	--	--	--	$ 3,702	$13,482	$17,819	$17,500
Powell Bill funds[d]	$ 6,389	$ 6,580	$ 7,125	$ 7,286	$ 8,015	$16,784	$16,784

SOURCE: Granite Quarry Audit Reports, FY 1967-68 - FY 1972-73; Granite Quarry Municipal Budget, FY 1973-74

[a]From General Fund

[b]From Water Fund

[c]From Sewer Fund

[d]From Powell Bill Fund

[e]Estimate from current municipal budget

Expenditures made by Granite Quarry have also been reviewed. Of particular importance, in the context of this report, is expenditures for capital improvements and debt service, and what percentage of total town expenditures they account for. This percentage, in turn, has been used as the fundamental basis for determining a reasonable amount of expected future revenues which may be set aside for capital improvements and debt service without creating an overly burdensome hardship on other municipal responsibilities.

One question may be why include debt service with capital improvements. Primarily, debt service is included in this analysis because it reflects annual payments for capital items which are being acquired on a long-term basis. As such it represents a commitment which must be met each year before money can be appropriated for additional capital improvements.

A summary of the analysis of town expenditures over the past six fiscal years is shown on Table 4. Included on the table are columns showing total expenditures, expenditures for capital improvements, and expenditures for debt service. Not shown is the unusually large expenditure for sewer construction. This expenditure, being atypical in nature, would tend to grossly distort the trend. It is shown, however, through annual principal and interest payments on the bonds. It is more appropriate to show the debt payments in this manner (through debt service) since this is how Granite Quarry will actually pay for the facilities. Also not shown on the table are funds spent for water and sewer constructions which were available through federal grants during fiscal years 1970-71 and 1971-72. Since these expenditures are not normal to the usual expenditure pattern and also will not be available every year, it is felt that the appearance of these

expenditures in this table would add an unnecessary misrepresentation. Nevertheless, federal grants should not be overlooked as a source of revenue for special purposes.

TABLE 4 ANNUAL EXPENDITURES FOR CAPITAL IMPROVEMENTS AND DEBT SERVICE

Fiscal Year	Expenditures	Expenditures for Capital Improvements	Expenditures for Debt Service
1967-68	$ 60,133	$10,084	$18,078
1968-69	70,613	16,278	17,823
1969-70	121,758	25,942	26,680
1970-71	113,352	17,139	47,575
1971-72	130,357	15,353	48,949
1972-73	110,789	6,886	47,191

SOURCE: Granite Quarry Audit Reports

Table 4 also shows that over the past six fiscal years outlays for capital improvements and debt service have generally increased as have total town expenditures. The increase in debt service is significant for the last three fiscal years because it shows the addition of annual payments for sewer bonds. In fact, debt service represents a major portion of all expenditures, and must be considered in anticipating or projecting future revenues which will be available for new capital improvements.

Annual expenditures are shown as a percentage of revenues received in Table 5. That percentage has been unsteady, fluctuating between a low of 32.5% in FY 1972-73 to a high of 57.1% in FY 1969-70. The average, annual six fiscal year expenditure as a percentage of revenues received is 42.5 percent.

TABLE 5 ANNUAL EXPENDITURES AS PERCENT OF REVENUES RECEIVED*

Fiscal Year	Revenues	Expenditures	Expenditures as Percent of Revenues
1967-68	$158,599	$ 60,133	37.9%
1968-69	185,433	70,613	38.1%
1969-70	213,207	121,758	57.1%
1970-71	246,505	113,352	46.0%
1971-72	285,236	130,357	45.7%
1972-73	340,462	110,789	32.5%

*includes budgeted surpluses

SOURCE: Granite Quarry Audit Reports

The importance that all capital improvements and debt service have in the budget is shown in Table 6. In this table expenses for capital improvements and debt service are shown as a percent of total expenditures made in the years indicated. While each municipality is separate and unique and should not be thought of in a comparative way, Granite Quarry has shown in recent years a determination to commit an unusually large percentage of its budget to capital improvements, either directly by annual purchases, or indirectly through debt service payments. The six fiscal year average annual percentage of total town expenditures devoted to capital improvements and debt service is 49.1 percent.

TABLE 6 CAPITAL IMPROVEMENTS AND DEBT SERVICE AS A PERCENT OF TOTAL EXPENDITURES

Fiscal Year	Capital Improvements	Debt Service	Capital Improvements & Debt Service
1967-68	16.8%	30.0%	46.8%
1968-69	23.1%	25.2%	48.3%
1969-70	21.3%	23.5%	44.8%
1970-71	15.1%*	42.0%	57.1%
1971-72	11.8%*	37.5%	49.3%
1972-73	6.2%	42.6%	48.8%

*these percentages do not include federal grant funds which were used to construct water and sewer facilities

Actual town expenditures for type of capital improvements by fiscal years 1967-68 - 1972-73 are shown in Table 7. Overall, expenditures have been rather erratic and have been very heavily oriented toward water and sewer work and street work. The table, however, does not show a "building fund," or money being held in reserve (though not referred to as a "reserve fund") for the purchase of land and construction of a new municipal building. For this purpose, the town had budgeted $40,000 before FY 1967-68, budgeted $15,000 during FY 1967-68 to bring the fund up to $55,000, was unable to budget any amount the next four fiscal years, but was able to budget $20,000 during FY 1972-73 to bring the building fund amount to $75,000.

Table 7 shows almost $43,000 being spent by the town between fiscal years 1967-68 and 1972-73 on street work. This money came from Powell Bill funds, but an additional $8,500 of General Fund money was used for street paving and repairs. Therefore street maintenance is considered a rather high priority item in Granite Quarry. Water line extensions and the relocation of water main and pump station accounted for an expenditure of over $15,000 while the sewer project and sewer plant warehouse costs accounted for an additional $15,000.

TABLE 7 EXPENDITURES FOR CAPITAL IMPROVEMENTS

	FY 1967-68	FY 1968-69	FY 1969-70	FY 1970-71	FY 1971-72	FY 1972-73	TOTAL FY 1967-68- FY 1972-73
Water line extensions		$ 2,668	$ 200	$ 1,085	$ 110	$ 190	$ 4,253
Water line rights-of-way		200					200
Relocation of water main & pump station		9,805	1,595				11,400
Sewer project	$ 9,650	1,476					11,126
Sewer plant warehouse					4,373		4,373
Street paving and repairs			2,360	6,196		25	8,581
Street work*	434	2,129	21,787	9,859	6,898	1,775	42,882
Tractor with mower					2,472		2,472
Movable conveyor						1,365	1,365
Office equipment						2,531	2,531
Town ordinance rewriting						1,000	1,000
Special recreation project					1,500		1,500
TOTAL	$10,084	$16,278	$25,942	$17,140	$15,353	$ 6,886	$91,683

*Powell Bill funds

SOURCE: Granite Quarry Audit Reports

Table 8 shows appropriations for capital improvements as presented in the FY 1973-74 municipal budget. Of the nearly $50,000 appropriated, $31,000 (62 percent) would be taken from the Powell Bill funds for street work. An additional $10,000 General Fund money would go toward further street maintenance (pavings and repairs).

TABLE 8 APPROPRIATIONS FOR CAPITAL IMPROVEMENTS FY 1973-74

Item	Amount
Water line extension	$ 1,000
Street pavings and repairs	10,000
Street work*	31,000
Sidewalks	500
Pickup truck	3,000
Municipal code codification	3,000
	$48,500

*Powell Bill funds

SOURCE: Granite Quarry 1973-74 Municipal Budget

Few vehicles are necessary because the town has few municipal employees, including no police force (though one is to be established). Patroling is done by the county sheriff's department. Therefore, there is no local patrol car that has required constant replacing or maintaining. The town also contracts out its garbage collection, so it is also not necessary to have a garbage truck. Vehicles, usually major items on a town's list of capital expense items, have not been necessary items in Granite Quarry. The town's only vehicles are two fire trucks (a 1952 Ford combination pumper and a 1962 Chevrolet LaFrance combination pumper), a 1963 Ford pickup truck, an I. H. Cub tractor with mower, and a movable conveyor which was purchased during FY 1972-73.

Projected town revenues and expenditures for capital improvements over the capital budgeting period (FY 1973-74 - FY 1978-79) is shown on Table 9. The annual incremental growth rate of 16.5 percent was derived from averaging revenue increases over the past six fiscal years. This is used in the actual projection of future revenues. Projected expenditures is based on the past six year average annual expenditures per revenues figure of 42.5 percent. 49.1 percent of all expenditures over the past six fiscal years have been devoted to capital improvements and debt service. Projected expenditures for those purposes are based on past expenditures. Debt service is a known factor over the next six fiscal years, so the projected amount for capital improvements can be computed. The remaining "surplus revenues" figure is the amount when the projected expenditures are subtracted from the projected revenues.

TABLE 9

PROJECTED TOWN REVENUES AND EXPENDITURES
FOR CAPITAL IMPROVEMENTS AND DEBT SERVICE
FY 1974-75 - FY 1979-80

Fiscal Year	Projected Revenues[1]	Expenditures Based on 42.5% of Revenues[2]	Expenditures Based on 49.1% for Capital Improvements and Debt Service[3]	Amount Committed to Debt Service	Available for Capital Improvements	Surplus Revenues
1974-75	$396,638	$168,571	$ 82,768	$47,774	$ 34,994	$228,067
1975-76	462,083	196,381	96,423	47,006	49,417	265,702
1976-77	538,327	228,789	112,335	47,239	65,096	309,538
1977-78	627,151	266,539	130,871	47,426	83,445	360,612
1978-79	730,631	310,518	152,464	46,578	105,886	420,113
1979-80	851,185	361,754	177,621	46,729	130,892	489,431

[1]Based on average annual incremental growth, FY 1967-68 - FY 1972-73, of 16.5% (see Table 1)

[2]Does not include funds reserved in special building fund; based on annual average expenditures of revenues, FY 1967-68 - FY 1972-73, of 42.5% (see Table 4)

[3]Based on average annual expenditures devoted to capital improvements and debt service, FY 1967-68 - FY 1972-73, of 49.1% (see Table 5)

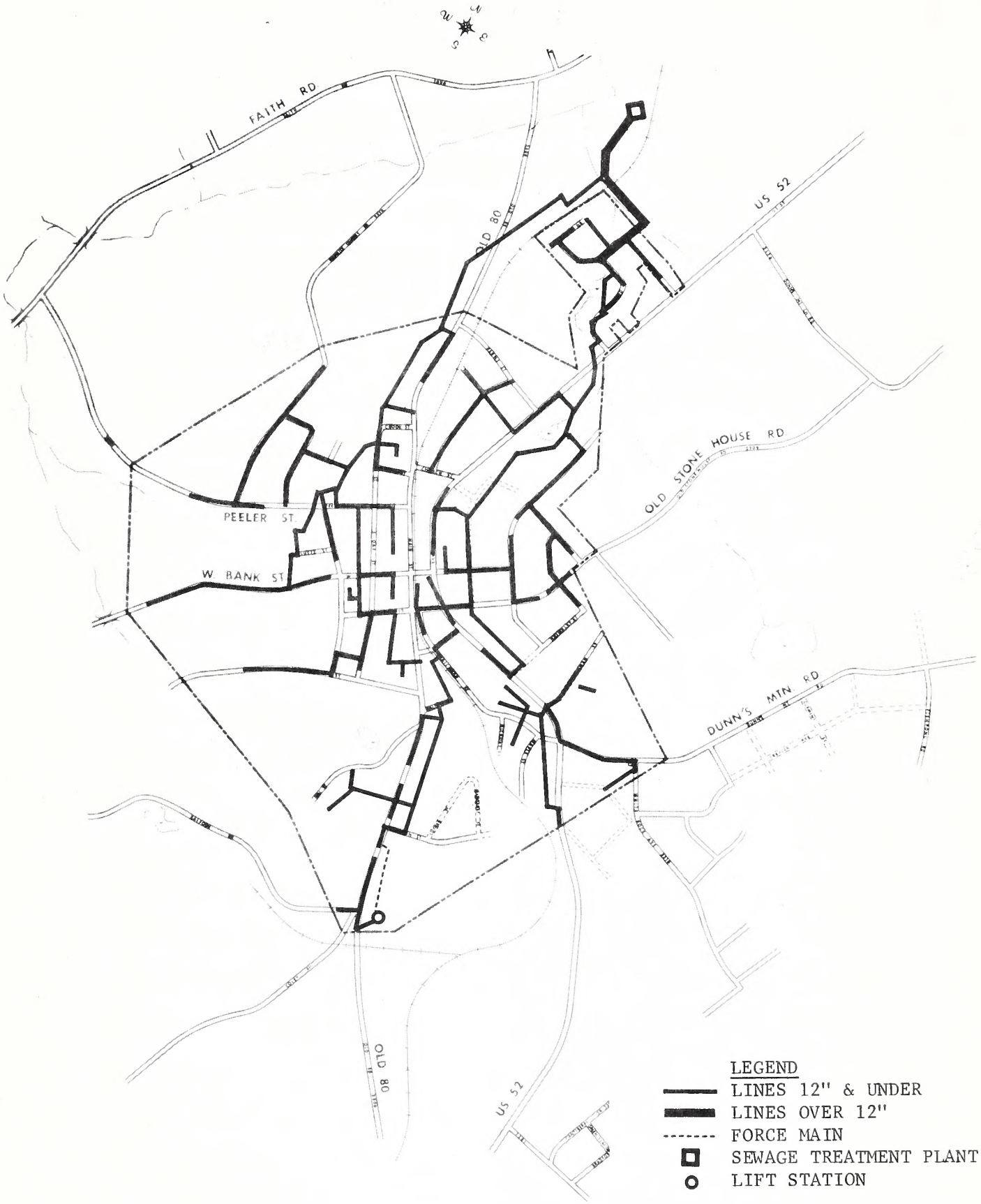
EXISTING WATER SYSTEM

GRANITE QUARRY, N. C.

MAP-2

EXISTING SEWERAGE SYSTEM

GRANITE QUARRY, N. C.



MAP-3

UNPAVED STREETS

GRANITE QUARRY, N. C.

Revenue Sharing

Revenue sharing is a new source of income and deserves special attention. Revenue sharing is a concept where revenues are distributed from the federal government back to state and local units of government. Moreover, revenue sharing is an attempt to decentralize much of the authority over the use of federal funds for domestic programs to state and local officials.

Revenue sharing may appear in more than a single form. For example, there is General Revenue Sharing and Community Development Revenue Sharing. General Revenue Sharing began in 1972. This type revenue sharing, however, was not intended as a replacement for the categorial grant program. Its "replacement" is the Community Development Revenue Sharing Program.

General Revenue Sharing funds received by units of local government may be used only for "priority expenditures," which includes "ordinary and necessary capital expenditures authorized by law" and "ordinary and necessary maintenance and operating expenses." This latter category includes the following:

(1) public safety (law enforcement, fire protection, and building code enforcement)

(2) environmental protection (sewage disposal, sanitation, and pollution abatement)

(3) public transportation (transit systems and streets)

(4) health

(5) recreation

(6) libraries

(7) social services for the poor and aged

(8) financial administration

Use of the funds for debt retirement is a permissible expenditure provided that:

(1) the funds are not used to pay any interest of the debt

(2) the debt was originally incurred for a priority expenditure purpose

(3) the actual expenditures from the proceeds of the indebtedness was made on or before January 1, 1972

(4) the actual expenditures from the proceeds of the indebtedness were not in violation of any restrictions as herein enumerated

In General Revenue Sharing, state governments receive one-third of the total allocations and the local units of government receive the remaining two-thirds. Distributions are made by formula which considers population, income (per capita), and local tax rate. Formula allocations are determined by multiplying the town's population by the local tax rate, and dividing that total by the per capita income.

Community Development Revenue Sharing differs altogether from General Revenue Sharing. Community Development Revenue Sharing is divided into six portions, and unlike General Revenue Sharing, has not yet been authorized by Congress. The six special Community Development Revenue Sharing proposals are as follows:

(1) Urban Community Development

(2) Rural Community Development

(3) Manpower Revenue Sharing

(4) Transportation Revenue Sharing

(5) Law Enforcement Revenue Sharing

(6) Education Revenue Sharing

These special revenue sharing proposals are designed to replace the categorial grant programs. Unfortunately, it appears that towns as small as Granite Quarry will not be eligible to receive Community Development Revenue Sharing monies, and will have to rely exclusively on General Revenue Sharing money for federal financial assistance.

Thus far, the Town of Granite Quarry has received the following General Revenue Sharing money:

(1) for the period January 1 - June 30, 1972:	$ 7,313
(2) for the period July 1 - December 31, 1972:	7,081
(3) for the period January 1 - March 31, 1973:	4,148
(4) for the period April 1 - June 30, 1973:	4,149
(5) for the period July 1 - September 30, 1973:	3,960
(6) for the period October 1 - Dec. 31, 1973:	3,960
(7) for the period January 1 - March 31, 1974:	3,960
	$34,571

Indications are that the Town of Granite Quarry will probably continue to receive between $15,000 and $18,000 annually in General Revenue Sharing money--at least through the calendar year 1976 when the program expires. There is considerable uncertainty, however, about the status of revenue sharing beyond 1976. Thus far, no revenue sharing money in Granite Quarry has been spent. The town has passed a resolution that 95 percent of revenue sharing money will be devoted to the building fund for the construction of the new municipal building, with the remaining 5 percent to be allocated for a day-care facility at the former Shuford School Building.

Bonding and Financial Capacity

Naturally there are limits to the ability of the current funding policy to cope with the requirements of capital outlay, so, when long-term financing of a project is required, it may become necessary to sell bonds. The amount of current revenue available is still a vital factor since it is from this source that debt service payments must be made.

There are two types of bonds: General Obligation Bonds and Revenue Bonds. General Obligation Bonds are backed by the full faith and credit of the municipality or county since they are pledged against the local tax base. State law requires the city or county to levy enough tax per year to pay off its obligation on this bond. Revenue Bonds, on the other hand, are backed by revenues of the facility they pay for. Examples of these type bonds would be water, electric, and gas. It must be something that brings a profit. Of course, these facilities may also be financed by General Obligation Bonds. Not all money received from this facility need go into paying off the debt. Revenue Bonds are only backed by the pledge of the revenue. Most towns prefer General Obligation Bonds to Revenue Bonds because they carry a lower rate of interest and because of the limitations placed on the use of Revenue Bonds. Debt limitations are 8 percent for towns using General Obligation Bonds, but there is no debt limitation for towns using Revenue Bonds.

North Carolina municipalities are limited by statute as to the amount of bonded indebtedness they may incur under General Obligation Bonds. At the present time the bonded indebtedness for General Obligation Bonds must not exceed 8 percent of the total assessed property valuation within the town. Due to legislation passed by the General Assembly in 1971, the limitation has been based on appraised value rather than assessed value

since July 1, 1973. The North Carolina Local Government Commission keeps the records of bond issues. A municipality must have the approval of the Commission prior to issuing bonds per any reason.

Existing debt service (bonded indebtedness) for Granite Quarry is shown in Table 10 and Graph 1. Both the Waterworks Bond and Water-Sewer Bond are Revenue Bonds rather than General Obligation Bonds, so they are not directly effected by the 8 percent debt limitation. As stated previously, interest rates are higher on Revenue Bonds. Interest on the Waterworks Bond is 3 5/8 percent and on the Water-Sewer Bond, 4 1/2 percent. The Waterworks Bond will be paid June 1, 1991, and the Water-Sewer Bond, June 1, 2006. Interest payments on the Water-Sewer Bond are now more than twice the principal, and will not decrease to less than the amount of the principal until FY 1988-89.

Granite Quarry is heavily committed to bond payments through FY 1990-91. Until then, annual bond payments will be between $43,000 and $48,000. After the Waterworks Bond is paid in FY 1990-91, the annual bond payments will be below $27,000 and continuously decrease.

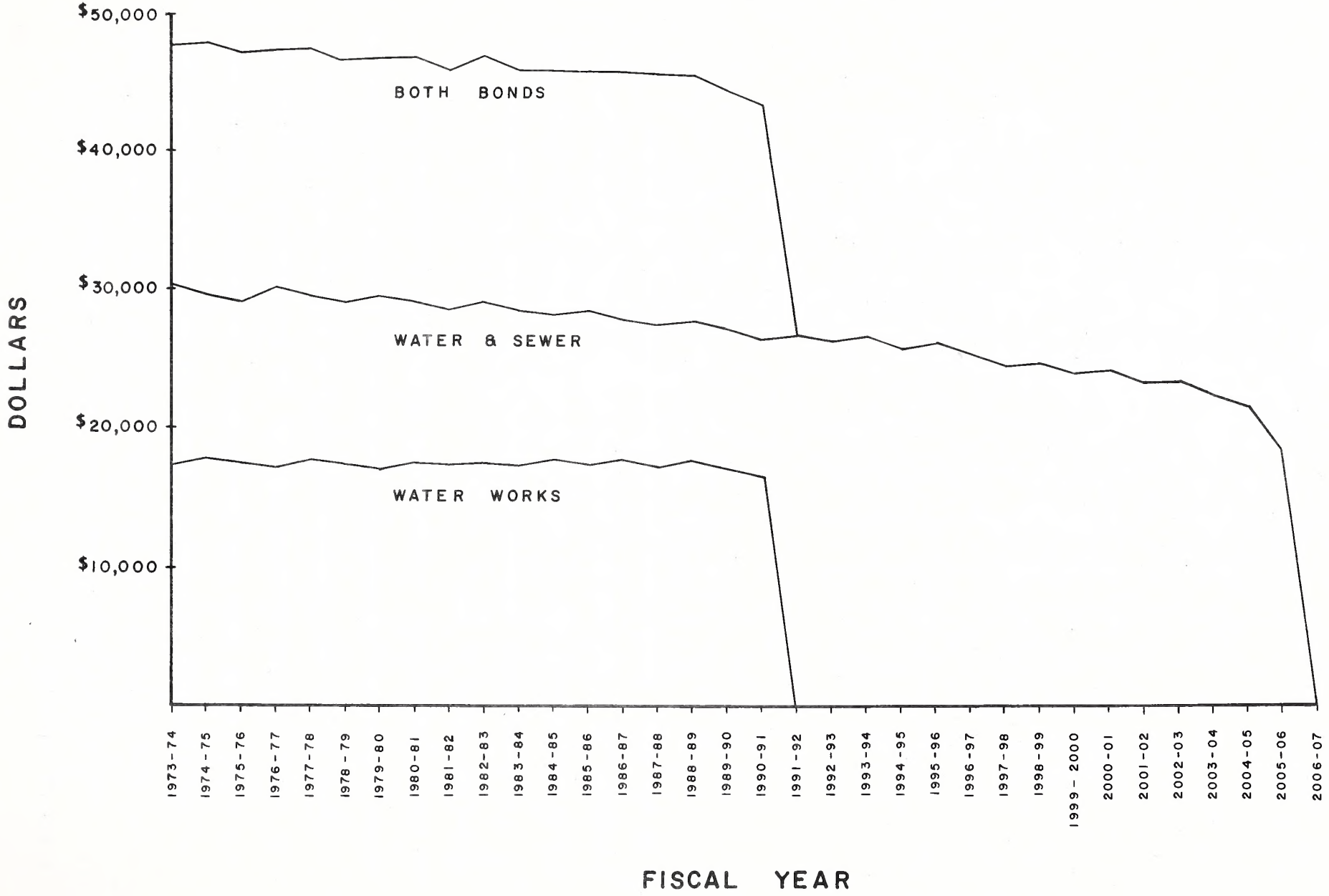
TABLE 10 EXISTING DEBT SERVICE

	Waterworks		Water-Sewer		
Year	Principal	Interest (3 5/8%)	Principal	Interest (4½%)	Total
1973-74	$ 9,000.00	$8,265.00	$ 9,000.00	$21,240.00	$47,505.00
1974-75	10,000.00	7,938.75	9,000.00	20,835.00	47,773.75
1975-76	10,000.00	7,576.25	9,000.00	20,430.00	47,006.25
1976-77	10,000.00	7,213.75	10,000.00	20,025.00	47,238.75
1977-78	11,000.00	6,851.25	10,000.00	19,575.00	47,426.25
1978-79	11,000.00	6,452.50	10,000.00	19,125.00	46,577.50
1979-80	11,000.00	6,053.75	11,000.00	18,675.00	46,728.75
1980-81	12,000.00	5,655.00	11,000.00	18,180.00	46,835.00
1981-82	12,000.00	5,220.00	11,000.00	17,685.00	45,905.00
1982-83	13,000.00	4,785.00	12,000.00	17,190.00	46,975.00
1983-84	13,000.00	4,313.75	12,000.00	16,650.00	45,963.75
1984-85	14,000.00	3,842.50	12,000.00	16,110.00	45,952.50
1985-86	14,000.00	3,335.00	13,000.00	15,570.00	45,905.00
1986-87	15,000.00	2,827.50	13,000.00	14,985.00	45,812.50
1987-88	15,000.00	2,283.75	13,000.00	14,400.00	44,683.75
1988-89	16,000.00	1,740.00	14,000.00	13,815.00	45,555.00
1989-90	16,000.00	1,160.00	14,000.00	13,185.00	44,345.00
1990-91	16,000.00	580.00	14,000.00	12,555.00	43,135.00
1991-92			15,000.00	11,925.00	26,925.00
1992-93			15,000.00	11,250.00	26,250.00
1993-94			16,000.00	10,575.00	26,575.00
1994-95			16,000.00	9,855.00	25,855.00
1995-96			17,000.00	9,135.00	26,135.00
1996-97			17,000.00	8,370.00	25,370.00
1997-98			17,000.00	7,605.00	24,605.00
1998-99			18,000.00	6,840.00	24,840.00
1999-2000			18,000.00	6,030.00	24,030.00
2000-01			19,000.00	5,220.00	24,220.00
2001-02			19,000.00	4,365.00	23,365.00
2002-03			20,000.00	3,510.00	23,510.00
2003-04			20,000.00	2,610.00	22,610.00
2004-05			20,000.00	1,710.00	21,710.00
2005-06			18,000.00	810.00	18,810.00

SOURCE: Granite Quarry Audit Reports

GRANITE QUARRY BONDED INDEBTEDNESS

(PRINCIPAL AND INTEREST)



Property Valuation

Over the past five fiscal years, property valuations in Granite Quarry have increased by about 22 percent, as is shown in Table 11. Numerical and percentage differences are shown in the assessed and appraised valuations for the years 1968 through 1973. The assessed valuation over that time period has increased $725,205, and the appraised valuation has increased $1,318,550. The assumption here is that the 1973 estimated property valuation, estimated for annual budget purposes to be $4,054,792, is essentially correct. A county-wide revaluation of property became effective January 1, 1974.

In Rowan County, assessed valuation is 55 percent the appraised valuation. The tax rate in the Town of Granite Quarry is $1.20 per $100 valuation, as it has remained since FY 1970-71. Before 1970-71, it was $.80 per $100. Annual local tax collections are near 95 percent.

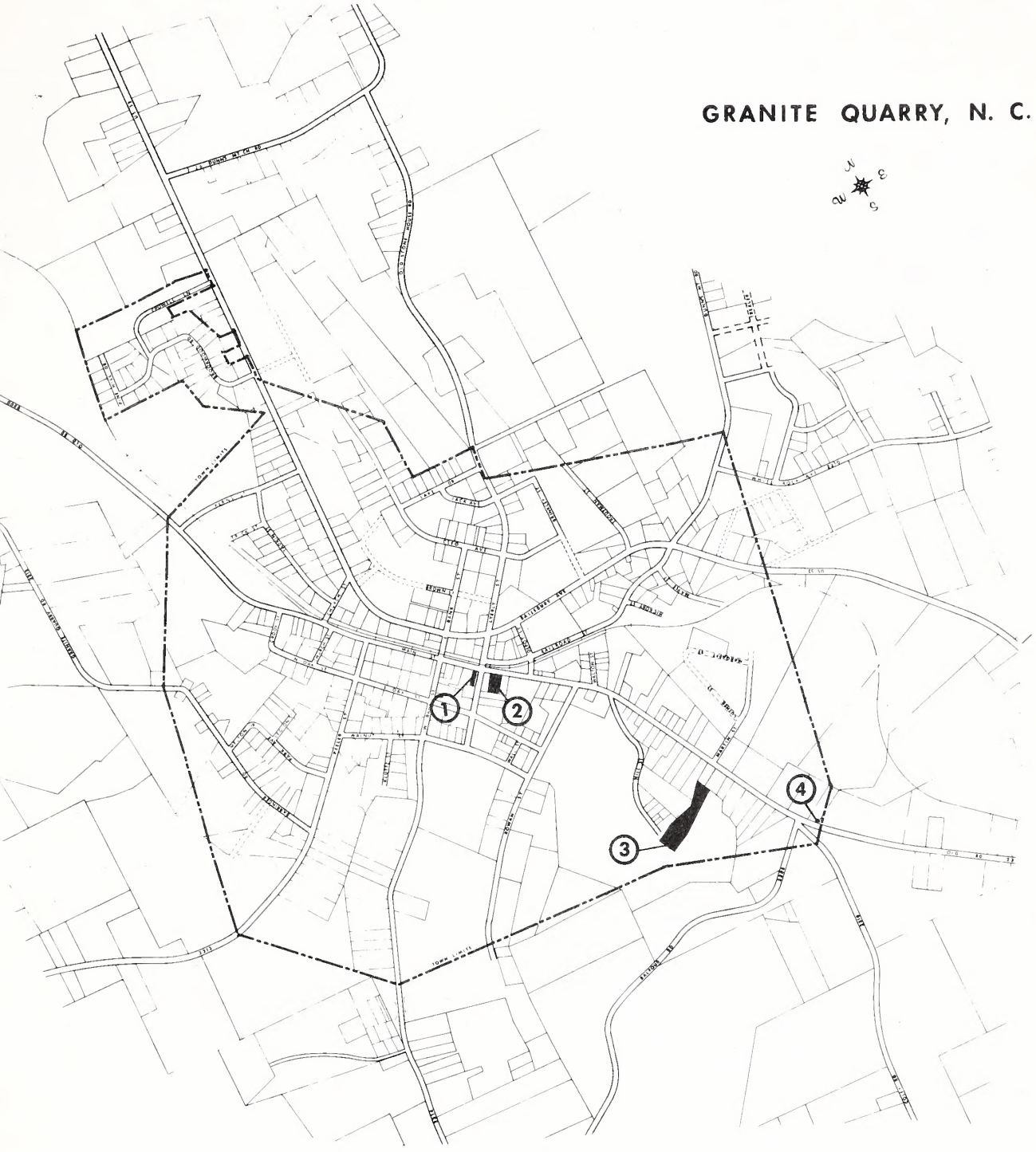
TABLE 11 PROPERTY VALUATION CHANGES

Year	Assessed Valuation	Numerical Change	Percentage Change	Appraised Valuation	Numerical Change	Percentage Change
1968	$3,329,587			$6,053,795		
1969	$3,487,567	+$157,980	+ 4.7%	$6,341,031	+$ 287,236	+ 4.7%
1970	$3,653,597	+$166,030	+ 4.8%	$6,642,904	+$ 301,873	+ 4.8%
1971	$3,898,289	+$244,692	+ 6.7%	$7,087,798	+$ 444,894	+ 6.7%
1972	$3,975,000*	+$ 76,711	+ 2.0%	$7,227,273	+$ 139,475	+ 2.0%
1973	$4,054,792	+$ 79,792	+ 2.0%	$7,372,345	+$ 145,072	+ 2.0%
TOTAL		$725,205	+21.8%		$1,318,550	+21.8%

*estimated property valuation

SOURCE: Granite Quarry Municipal Budgets

PROPERTY OWNED BY THE TOWN OF GRANITE QUARRY



LEGEND

1 TOWN HALL
2 VACANT LOTS
3 WATER TANK PROPERTY
4 SEWAGE LIFT STATION

CAPITAL IMPROVEMENTS BUDGET

GRANITE QUARRY CAPITAL IMPROVEMENTS BUDGET

A summary of total capital budget project costs and the recommended sources of revenue are shown in Table 12. It appears that Granite Quarry will be able to meet funding requirements with current revenue or reserve funds during the capital budget period (FY 1974-75 through FY 1979-80) without the necessity of further bonding.

GRANITE QUARRY

CAPITAL BUDGET

FY 1974-75 - FY 1979-80

Item	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	Total Cost to the Town over Six Year Period
PUBLIC WORKS DEPT.							
Street work	$ 18,000[a]	$ 18,000[a]	$18,000[a]	$18,000[a]	$18,000[a]	$18,000[a]	$108,000
Street paving & repairs	10,000	5,000	5,000	5,000	5,000	5,000	$ 35,000
Street signs & traffic signals	200		200		200		$ 600
Street survey for rights-of-way		5,000	5,000	5,000	5,000	5,000	$ 25,000
Sidewalks	1,000	500	500	500	500	500	$ 3,500
Survey of town boundaries		6,000					$ 6,000
Backhoe	4,000						$ 4,000
Street truck	500						$ 500
Pickup truck					3,000		$ 3,000
WATER & SEWER DEPT.							
Water line extensions	10,900	1,000	1,000	1,000	1,000	1,000	$ 15,900
Sewer line extensions	16,300	5,000	5,000	5,000	5,000	5,000	$ 41,300
Electrical repairs at sewage treatment plant	2,000						$ 2,000
FIRE DEPARTMENT							
Fire truck (combination pumper)	5,000 RF[b]	5,000 RF[b]	5,000 RF[b]	5,000 RF[b]	10,000 RF[b]	10,000 RF[b]	$ 40,000
Truck liner	1,500						$ 1,500
POLICE DEPARTMENT							
Patrol car		4,500			5,500		$ 10,000
Communications equipment for patrol car		4,000					$ 4,000
Police uniforms, firearms, and other law enforcement equipment		800		1,000		1,200	$ 3,000
ADMINISTRATIVE/GENERAL							
Municipal Building & site	20,000 RF[b & c]						$ 20,000
Paving & landscaping at municipal building	14,225[c]						$ 14,225
Town code revision	500						$ 500
Office equipment	500	500	500	500	500	500	$ 3,000
TOTAL CAPITAL EXPENDITURES	$104,625	$55,300	$40,200	$41,000	$53,700	$46,200	$341,025

[a] Powell Bill funds

[b] Reserve Fund

[c] General Revenue Sharing money

PUBLIC IMPROVEMENTS PROGRAM

GRANITE QUARRY PUBLIC IMPROVEMENTS PROGRAM

A summary of major public improvement program items are shown below. They represent, in part, the recommendations made in the Granite Quarry Community Facilities Study (1971), and are updated to reflect the full 20-year period through FY 1994-95.

For convenience and a clearer time perspective, the public improvements program has been divided into three separate five-year time periods. The first, or short to moderate range study period, is FY 1980-81 through FY 1984-85. This period immediately follows this capital budgeting period and should, therefore, be fairly accurate. The second, or moderate to long range study period, is FY 1985-86 through FY 1989-90. And the third, or long range study period, is FY 1990-91 through FY 1994-95. Projections of improvements needed are based upon the circumstances at the present time and reflect the expected future needs of the Town of Granite Quarry.

PHASE I (FY 1980-81 - FY 1984-85) of Public Improvements Program:

1. Purchase a new fire truck as replacement for 1952 500 GPM pumper.
2. Purchase a new patrol car.
3. Replace pickup truck.
4. Continue policy of extending and improving water lines, replacing water lines of inadequate size, and looping dead-end lines.
5. Continue policy of extending and improving sewer lines.
6. Continue street survey policy for the acquisition of rights-of-way and installation of curb-and-guttering.
7. Make street improvements and repairs as needed.
8. Construct sidewalks as needed.
9. Purchase office equipment as needed.

PHASE II (FY 1985-86 - FY 1989-90) of Public Improvements Program:

1. Purchase two new patrol cars.
2. Replace pickup truck.
3. Renovate water tank.
4. Continue policy of extending and improving water lines, replacing water lines of inadequate size, and looping dead-end lines.
5. Continue policy of extending and improving sewer lines.
6. Continue street survey policy for the acquisition of rights-of-way and installation of curb-and-guttering.
7. Make street improvements and repairs as needed.
8. Construct sidewalks as needed.
9. Purchase office equipment as needed.

PHASE III (FY 1990-91 - FY 1994-95) of Public Improvements Program:

1. Purchase a new fire truck as replacement for 1962 750 GPM pumper.

2. Purchase one or two new patrol cars.

3. Replace pickup truck.

4. Continue policy of extending and improving water lines, replacing water lines of inadequate size, and looping dead-end lines.

5. Continue policy of extending and improving sewer lines.

6. Continue street survey for the acquisition of rights-of-way and installation of curb-and-guttering.

7. Make street improvements and repairs as needed.

8. Construct sidewalks as needed.

9. Purchase office equipment as needed.